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Report Highlights:

After a reduction in sown area, recent cold temperatures have increased concerns over Ukraine's winter wheat crop. The MY 2005/2006 outlooks for major grains were revised to match recently available information on production, trade, stocks and consumption.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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Kiev [UP1]
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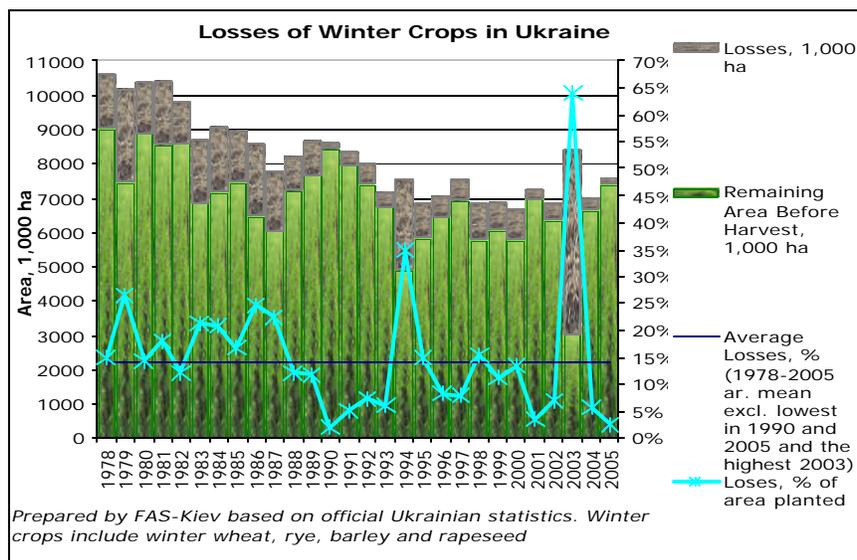
Executive Summary

After a sharp drop in areas planted with winter wheat, Ukraine's major crop, in Fall 2005 (to be harvested in June-July 2006), low temperatures in January 2006 raised more concerns over the production outlook for 2006. At this point, winterkill rates for barley and winter wheat in 2005/2006 are expected to exceed the levels recorded during the previous two seasons, but lower than the disastrous 2002/2003 season.

Wheat, barley, corn and rye production in 2005 are currently reported slightly lower than earlier expected. Mainly, as a result of lower harvested areas and, in some cases, lower yields. Reduced grain production will be reflected in diminished feed, human and industrial consumption in MY 2005/2006. Export estimates for the current marketing year remain unchanged with the exception of barley. MY 2003/2004 import estimates for wheat, barley and corn were lowered to correctly reflect transit shipments from other countries through Ukraine. Stock estimates were adjusted based on most recently available information on elevator and processor held stocks.

January Frosts Complicate 2006 Winter Crop Condition

Winter crop damage varies significantly depending on weather conditions, and largely depends on minimum temperatures, depth of protective snow cover, crops' soil moisture and other factors. The graph below indicates losses of winter wheat, barley, rye and rapeseed due to various reasons. The most typical are freezing, suffocation under the ice crust (these two reasons are often combined into one -- "winter kill"), rodent damage, spring dryness, etc. Rye is the most cold resistant winter crop followed by wheat. Barley and rapeseed have the lowest resistance to low temperatures. Because winter wheat is Ukraine's major crop (accounted for nearly 30% of total area planted in 2005), this crop suffers the highest production losses amongst others. For instance, wheat accounted for 80% of all winter crop losses in the disastrous 2002/2003 and 70% in 2003/2004 when winterkill was low.



Ukrainian farmers significantly reduced the areas under winter wheat and rye, and slightly increased the area under winter barley in Fall 2005 due to both dry weather and economic conditions (refer to GAIN report entitled "[Winter Wheat Area Drops 16%](#)"). After moderately mild weather in December 2005 and early January 2006, the Ukrainian Hydro-Meteorological

Center (*Ukrhydrometcenter*) registered the following minimum air temperature in Ukraine's major grain producing regions during January 10-20, 2006: -31°C in Luhansk; -27°C in Kiev, Kharkiv; -26°C in Dnipropetrovsk, Zaporizhzhya, Poltava -25°C in Donetsk, Vinnitsa; -22°C in Kherson, Mykolaiv; and -20°C in Odessa and -18°C in Crimea.

Low temperatures usually represent little threat to well-developed plants covered with a protective snow cushion. Winter crops had sufficient time to harden in December 2005 and were fully dormant when the cold weather snap hit Ukraine. However, dry fall conditions in 2005 did not allow for good winter wheat establishment and resulted in the poor condition of nearly 37% of winter wheat area planted (see more at [Winter Wheat Area Drops 16%](#)). Weak plants accumulate less sugar; therefore, they are more susceptible to the damage caused by low temperatures. According to Ukragroconsult Agency, winter wheat planted in Fall 2005 that was assessed as in "good condition" contained 35-42% of soluble sugars -- the level closest to normal. Underdeveloped plants that entered dormancy in stage 1-3 leaves only 30-32% of accumulated sugars – a level that is not sufficient to withstand low temperatures.

Snow cover during January 15-19 (the first days of the cold snap) was absent or was less than three centimeters (cm) in parts of Sumy, Luhansk, Crimea, Kherson, Mykolaiv, Odesa, Cherkasy and Kiev. Some of these important grain-producing regions were most severely affected by fall dryness in 2005 and the crops were in poor condition before entering dormancy. Although snowfalls improved the protective snow cover to 10-30 cm by January 20-25, the low temperatures registered in mid-late January raised concerns over the rate of winterkill for 2005/2006 winter season in Ukraine.

Ukrhydrometcenter assessed the minimum critical temperatures at the depth of tillering for fully tillered wheat at -15 to -18°C as of January 20, 2006. For winter wheat in the stage of 1-3 leaves, the critical temperature was -12 to -14°C. Most agro-meteorological stations observed the minimum temperatures at the depth of tillering at -2 to -10°C while some stations reported -11 to -16°C.

During 1978-2005, losses in Ukraine averaged 14% of the area planted (excluding the worst and the best years). Reliable information based on actual testing of winter crop samples taken after January frosts is not yet available. At this point, FAS-Kiev expects that winter grain losses in 2006 will be higher than average. After a serious reduction in winter wheat area in Fall 2005, recent low temperatures further reduced production prospects in 2006.

USDA's first official forecast of grain production in Ukraine for 2006 will be released on May 12, 2006.

Preliminary Production Finals for 2005

The State Statistic Committee of Ukraine (SSCU) has released the following preliminary production finals for 2005. The final numbers (to be published in late February) are not expected to differ significantly from the numbers provided below.

Preliminary Finals on Grain Production in Ukraine in 2005

	Area Harvested, 1,000 hectares (ha)			Yield, MT/ha			Production, 1,000 MT		
	2004	2005	Change, %	2004	2005	Change, %	2004	2005	Change, %
Grain, total, including:	14,776	14,618	-1%	2.83	2.60	-8%	41,809	38,018	-9%
- winter and spring wheat	5,534	6,572	19%	3.17	2.85	-10%	17,520	18,701	7%
- winter and spring rye	716	615	-14%	2.22	1.73	-22%	1,593	1,062	-33%
- winter and spring barley	4,515	4,350	-4%	2.46	2.06	-16%	11,084	8,975	-19%
- oats	510	454	-11%	1.97	1.75	-11%	1,007	796	-21%
- corn (in grain)	2,300	1,660	-28%	3.86	4.31	12%	8,867	7,150	-19%
- millet	377	120	-68%	1.22	1.17	-4%	459	141	-69%
- buckwheat	389	396	2%	0.76	0.69	-8%	294	275	-6%
- rice	21	21	0%	3.77	4.35	15%	80	93	16%

Source: State Statistics Committee of Ukraine

Wheat

Ukraine							
Wheat							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Area Harvested	2450	2456	5900	5900	6650	6570	(1000 HA)
Beginning Stocks	3252	3092	1126	1200	2625	2859	(1000 MT)
Production	3600	3599	17500	17500	19000	18700	(1000 MT)
TOTAL Mkt. Yr. Imports	3365	3365	50	10	50	50	(1000 MT)
Jul-Jun Imports	3365	3365	50	10	50	50	(1000 MT)
Jul-Jun Import U.S.	57	57	0	0	0	0	(1000 MT)
TOTAL SUPPLY	10217	10056	18676	18710	21675	21609	(1000 MT)
TOTAL Mkt. Yr. Exports	66	66	4351	4351	5500	5500	(1000 MT)
Jul-Jun Exports	66	66	4351	4351	5500	5500	(1000 MT)
Feed Dom. Consumption	425	425	2100	2100	3300	3200	(1000 MT)
TOTAL Dom. Consumption	9025	8790	11700	11500	13300	13100	(1000 MT)
Ending Stocks	1126	1200	2625	2859	2875	3009	(1000 MT)
TOTAL DISTRIBUTION	10217	10056	18676	18710	21675	21609	(1000 MT)

Production

The SSCU has not yet released the breakdown of winter and spring wheat areas harvested and yields. FAS-Kiev suggests to reduce the current (USDA official) wheat production estimate as indicated in the PSD table above based on the preliminary final estimate for total (both winter and spring wheat) production.

Consumption

FAS-Kiev suggests lowering MY 2005/2006 feed and industrial consumption to reflect high wheat prices. MY 2005/2006 feed demand outlook is not positive considering decreasing cattle inventories and reduced demand for poultry as a consequence of the ongoing outbreaks of Avian Influenza in Crimea. MY 2004/2005 human and industrial wheat consumption were reduced reflecting the built up in stocks.

Trade

MY 2005/2006 wheat export estimate remained unchanged despite slow farm sales due to the expectation of higher prices. According to official statistics for July-November 2005,

and unofficial port shipment data for December 2005-January 1-30, 2006, Ukraine exported 4.3 million tons of wheat (both milling and feed-quality) since the beginning of MY 2005/2006. This is a 54% increase over exports during July 2004-January 2005. The pace of wheat exports in MY 2005/2006 has been stimulated by strong demand from drought-stressed Spain, and traditional and new markets in South East Asia and Africa. Rumors that the Government of Ukraine was considering a possible wheat export restriction due to reduced plantings in Fall 2005 also stimulated exports.

Port sources reported that vessels with milling-quality wheat sailed to Vietnam and Djibouti in December 2005, new export destinations in South-East Asia and Africa respectively. Exports plummeted in January 2006 due to slow business activity during the Orthodox Christmas break (January 1 through January 7), partial icing in small Black Sea Ports and difficulties with in-land logistics related to cold weather around January 20th. Cold temperatures also supported domestic wheat prices and delayed farmers' sales.

Wheat exports in February will increase from January 2006 levels. Approximately 200,000 tons of wheat export contracts registered by the Ukrainian commodity exchanges in January 2005 have not been executed. Shipments in accordance with these contracts will likely take place in February. Farmers, who currently hold 48% of wheat stocks (see graph below), will likely increase sales in February-April to finance spring plantings and will thus allow for purchases by exporters and local millers.

FAS-Kiev lowered the MY 2004/2005 wheat import estimate to correctly account for transit shipments of wheat from Russia, Hungary, Kazakhstan, etc.

Wheat Exports: July-November Comparisons, 1,000 MT

Destination	Jul-Nov 2002	Jul-Nov 2003	Jul-Nov 2004	Jul-Nov 2005
Spain	1,646	0	345	707
Israel	240	0	275	386
Indonesia	52	0	183	315
Morocco	172	0	76	231
Algeria	103	0	42	199
Tunisia	224	0	122	193
Korea, South	208	0	108	184
Libya	10	0	14	151
Hungary	180	0	77	143
Italy	154	0	190	113
Others Not Mentioned	1,630	1	520	800
Total	4,620	1	1,951	3,423
Ref EU-25 Total	2,675	0	662	991

Source: State Statistics Committee of Ukraine

Wheat Exports in December 2005-January 1-30, 2006 (preliminary unofficial data), 1,000 MT

Destination	December	Jan 1-30
South Korea	101	0
Israel	79	0
Philippines	106	0
Jordan	52	0
Kenya	48	0
Tunisia	42	0
Egypt	35	0
Unknown	110	66
Italy	29	15
Bangladesh	25	0
Morocco	25	0
Algeria	21	6
Vietnam	17	0
Libya	13	4
Malaysia	9	0
Albania	5	0
Djibouti	0	14
Eritrea	0	7
Syria	0	8
United Arab Emirates	0	29
Total	720	150

Source: port statistics

Monthly Wheat Exports from Ukraine since MY 2001/2002

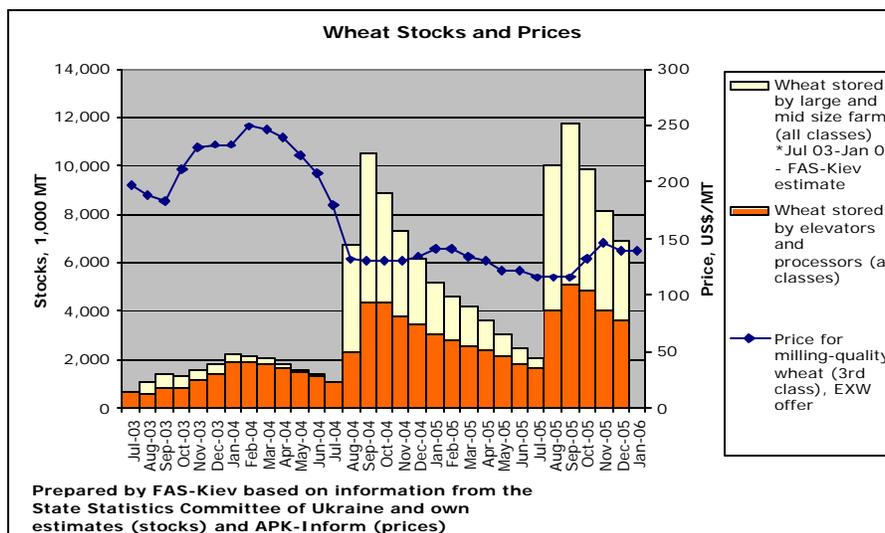
Month	MY 01/02	MY 02/03	MY 03/04	MY 04/05	MY 05/06
Jul	7	175	0	12	233
Aug	146	866	0	227	583
Sept	557	1,171	0	505	816
Oct	708	1,260	1	614	931
Nov	659	1,148	0	593	860
Dec	753	1,022	0	556	720*
Jan	604	474	0	334	150*
Feb	520	226	0	244	0
Mar	634	133	0	296	0
Apr	431	53	0	354	0
May	258	5	10	322	0
Jun	215	8	36	320	0
Total	5,493	6,542	47	4,376	4,293

Source: State Statistics Committee of Ukraine. * Preliminary estimates

Stocks

Ending stocks in MY 2005/2006 will likely be higher than earlier expected at the expense of slightly reduced feed and industrial consumption. A negative outlook for the 2006 wheat crop prevails in the market. These rumors will likely result in stock accumulation by local millers and processors (see the graph below).

The MY 2004/2005 ending stock estimate was also increased based on available information from elevators and processors adjusted for quantities in possession of small farms and households. That increase was at the expense of lower industrial and human consumption.



Barely

Ukraine							
Barley							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Area Harvested	4600	4600	4500	4500	4500	4350	(1000 HA)
Beginning Stocks	1424	1072	796	438	1234	836	(1000 MT)
Production	6850	6833	11100	11100	9000	8970	(1000 MT)
TOTAL Mkt. Yr. Imports	39	50	50	10	80	20	(1000 MT)
Oct-Sep Imports	38	50	50	10	80	20	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	8313	7955	11946	11548	10314	9826	(1000 MT)
TOTAL Mkt. Yr. Exports	1517	1517	4312	4312	4000	3800	(1000 MT)
Oct-Sep Exports	2557	2557	3992	3992	4000	3800	(1000 MT)
Feed Dom. Consumption	4500	4500	4700	4700	3800	3600	(1000 MT)
TOTAL Dom. Consumption	6000	6000	6400	6400	5300	5100	(1000 MT)
Ending Stocks	796	438	1234	836	1014	926	(1000 MT)
TOTAL DISTRIBUTION	8313	7955	11946	11548	10314	9826	(1000 MT)

The **production estimate** for MY 2005/2006 was reduced to reflect the lower reported harvested area in 2005. The **feed consumption** estimate was also reduced to reflect declining cattle inventories (refer to [Ukraine's Livestock Annual Report](#)).

Trade

The MY 2005/2006 export estimate was reduced to reflect the lower export pace to-date. Reduced shipments to Jordan, Syria, Tunisia, Israel, Libya have not been offset by increased sales to Saudi Arabia (see tables below). Barley exports from Ukraine in July 2005 -January 2006 totaled 2.6 million tons. This is 25% less than exports in July 2004-January 2005. As a result of less active exports, registered barley stocks (see the graph below) increased by 52% in December 2005, compared to the previous year.

Monthly Barley Exports From Ukraine Since MY 2001/2002, 1,000 MT

	MY 01/02	MY 02/03	MY 03/04	MY 04/05	MY 05/06
Jul	35	65	54	129	46
Aug	327	400	83	480	550
Sep	379	602	380	949	640
Oct	399	339	196	643	536
Nov	433	296	160	451	345
Dec	385	287	128	544	269*
Jan	275	252	62	288	237*
Feb	168	212	64	304	
Mar	111	151	103	149	
Apr	196	86	37	160	
May	41	94	137	121	
Jun	55	97	113	96	
Total	2,805	2,883	1,517	4,312	2,624

Source: State Statistics Committee of Ukraine. * Preliminary estimates

Barley Exports: July - November Comparisons, 1,000 MT

Destination	Jul-Nov 02	Jul-Nov 03	Jul-Nov 04	Jul-Nov 05
Saudi Arabia	784	695	780	1,094
Iran	0	0	418	388
Jordan	0	0	331	205
Syria	47	0	266	170
Tunisia	213	0	120	76
United Kingdom	0	13	5	46
Israel	74	0	309	35
Libya	22	0	156	33
Morocco	136	3	89	25
Hungary	23	15	86	24
Others Not Mentioned	402	147	91	21
Total	1,702	874	2,651	2,118

Source: State Statistics Committee of Ukraine

Barley Exports in December 2005-January 1-20, 2006 (preliminary unofficial data), 1,000 MT

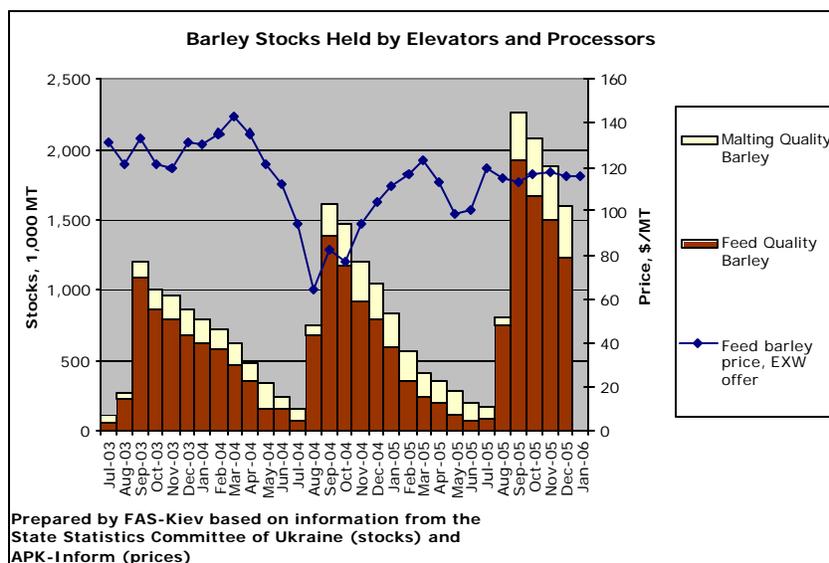
Destination	Dec	Jan 1-30, 2006
Saudi Arabia	240	120
Syria	8	27
Jordan	10	60
Unconfirmed destination	11	30
Total	269	237

Source: port statistics

Barley import estimates for MY 2003/2004 and MY 2005/2006 were lowered to correctly account for the actual quantities that were imported and not transhipped through Ukraine. Approximately 856,000 MT of barley from Russia, Kazakhstan, Moldova, Hungary and Denmark transited through Ukrainian ports in MY 2003/2004 (see Page 18 of [Ukraine's Grain Annual Report](#)).

Stocks

FAS-Kiev recommends revising USDA official stock estimates to reflect available information on barley stocks held by elevators and processors in MY 2003/2004 and MY 2004/2005. Private households and small private farms, which do not report on their stocks, account for approximately 1/4 of total production. While they are important stock holders, FAS-Kiev suggests revising MY 2003/2004 and MY 2004/2005 to reflect low commercially available stocks. The MY 2005/2006 ending stock estimate was reduced for the same reason.



Corn

Ukraine							
Corn							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		10/2003		10/2004		10/2005	MM/YYYY
Area Harvested	2000	2000	2300	2300	1650	1660	(1000 HA)
Beginning Stocks	832	725	844	737	1359	1202	(1000 MT)
Production	6850	6850	8800	8800	7200	7150	(1000 MT)
TOTAL Mkt. Yr. Imports	0	0	15	0	0	0	(1000 MT)
Oct-Sep Imports	0	0	15	0	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	4	0	0	0	(1000 MT)
TOTAL SUPPLY	7682	7575	9659	9537	8559	8352	(1000 MT)
TOTAL Mkt. Yr. Exports	1238	1238	2300	2335	2300	2300	(1000 MT)
Oct-Sep Exports	1238	1238	2300	2335	2300	2300	(1000 MT)
Feed Dom. Consumption	4900	4900	5300	5300	4400	4400	(1000 MT)
TOTAL Dom. Consumption	5600	5600	6000	6000	5100	5100	(1000 MT)
Ending Stocks	844	737	1359	1202	1159	952	(1000 MT)
TOTAL DISTRIBUTION	7682	7575	9659	9537	8559	8352	(1000 MT)

Despite the slightly higher estimate of corn area harvested, the production estimate for 2005 was reported lower than expected due to lower yields reported by the SSCU.

Trade

The MY 2005/2006 trade forecast remains unchanged. Exports of corn reached 1.1 million metric tons in October 2005-January 2006; – 0.6 million metric tons more than during the same period in MY 2004/2005. Ukrainian corn was shipped to Malaysia for the first time in December 2005.

Corn Exports from Ukraine: October-November Comparisons, 1,000 MT

Destination	Oct-Nov 02	Oct-Nov 03	Oct-Nov 04	Oct-Nov 05
Algeria	18	0	0	111
Libya	7	0	7	59
Belarus	12	29	50	51
Syria	0	0	2	44
Egypt	3	0	3	30
Portugal	0	0	0	26
Tunisia	0	0	0	15
Russia	8	70	44	11
Georgia	0	0	0	9
Albania	0	0	0	6
Others Not Mentioned	32	67	56	6
Total	80	167	163	370

Source: State Statistics Committee of Ukraine

Corn Exports in December 2005-January 1-20, 2006 (preliminary unofficial data), 1,000 MT

Destination	December 2005	Jan 1-20, 2006
Iran	0	62
Unknown	64	50
Syria	84	30
Libya	30	27
Tunisia	37	26
Spain	0	25
Algeria	8	8
Lebanon	5	4
Egypt	84	0
Israel	22	55
Malaysia	64	0
Portugal	53	0
Total	450	286

Source: port statistics

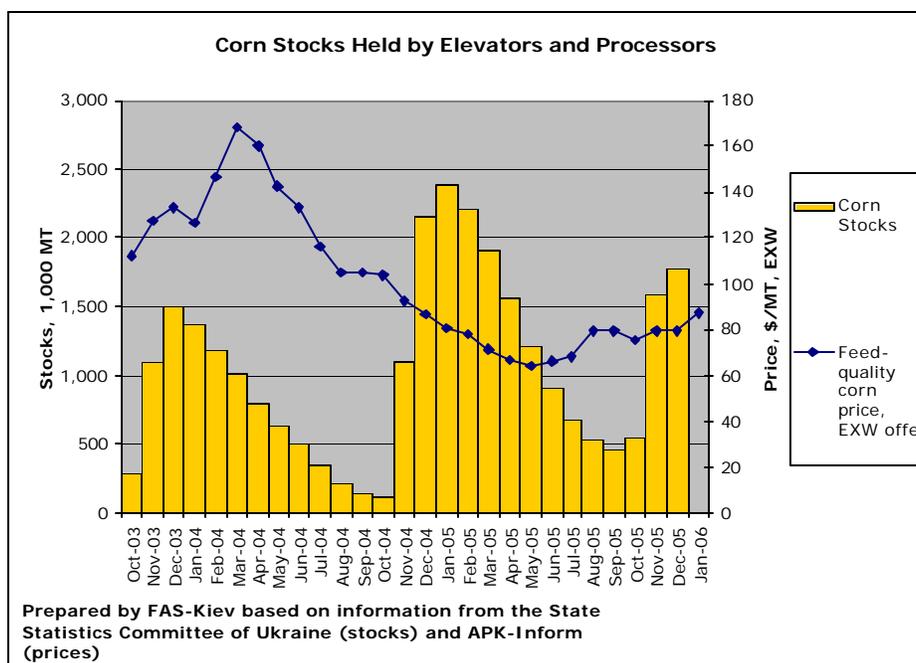
Monthly Cont Exports from Ukraine since MY 2001/2002, 1,000 MT

	MY 01/02	MY 02/03	MY 03/04	MY 04/05	MY 05/06
Oct	15	24	53	27	122
Nov	44	56	114	135	247
Dec	53	180	228	231	450*
Jan	29	160	118	205	286*
Feb	32	219	140	170	0
Mar	28	135	146	445	0
Apr	36	13	149	298	0
May	15	3	62	298	0
Jun	41	2	99	293	0
Jul	21	0	75	141	0
Aug	26	0	44	46	0
Sep	9	16	8	44	0
Total	349	807	1,236	2,334	1,106

Source: State Statistics Committee of Ukraine. * Preliminary estimates

Stocks

As with barley, FAS-Kiev suggests approximating current USDA stock estimates for MY 2003/2004 and 2004/2005 with Ukraine's official statistics for stocks held by elevators and processors (see the graph below).



Rye

The rye production estimate for 2006 was decreased to reflect both lower area harvested and yields and were based on the preliminary production numbers provided above.

The rye export estimate, and feed and total domestic consumption outlook for MY 2005/2006 were revised downwards to mirror decreased production. Only 38,000 tons of rye were exported in July 2005-January 2006 to Russia, Spain, Lebanon, Israel other destinations.

Ukraine							
Rye							
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		07/2003		07/2004		07/2005	MM/YYYY
Area Harvested	400	400	725	725	620	615	(1000 HA)
Beginning Stocks	325	325	140	188	346	344	(1000 MT)
Production	625	624	1600	1600	1200	1060	(1000 MT)
TOTAL Mkt. Yr. Imports	96	144	10	0	10	0	(1000 MT)
Oct-Sep Imports	32	120	10	0	10	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	1046	1093	1750	1788	1556	1404	(1000 MT)
TOTAL Mkt. Yr. Exports	6	5	104	104	75	50	(1000 MT)
Oct-Sep Exports	6	5	122	122	75	50	(1000 MT)
Feed Dom. Consumption	100	100	300	300	200	150	(1000 MT)
TOTAL Dom. Consumption	900	900	1300	1340	1200	1050	(1000 MT)
Ending Stocks	140	188	346	344	281	304	(1000 MT)
TOTAL DISTRIBUTION	1046	1093	1750	1788	1556	1404	(1000 MT)